

For financial adviser use only



Reaching Resilience

The role of protection in building financial resilience

January 2023



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Welcome to Reaching Resilience

Our dedicated research into financial resilience and the role of protection

Financial resilience is the ability to cope with a sudden unexpected change to finances, such as a temporary loss of income. Essentially, it's about being able to continue paying our bills, put food on the table and continue to support our loved ones. In today's landscape, consumers are even more aware of their need for financial resilience.

But how financially resilient are consumers? Our first Reaching Resilience report explores how prepared UK workers are should they have a sudden and unexpected change to their finances – and whether these plans are realistic. You'll see that **many believe that their savings are enough to fall back on**, without a full appreciation of how long this would truly last them or take to build these back up.

We also look at who else depends on their financial resilience. **Many of us have loved ones who rely on our income** such as children or aging parents. With modern blended and extended families that help out one another, many find their income supports a number of other people.

Importantly, we've highlighted the opportunities you have as an adviser to increase your client's financial resilience through protection. **Advisers have a key role to demonstrate the value of protection** and provide peace of mind that they are resilient enough to face whatever comes their way.

I hope you find this report useful, and think of more ways to help your clients reach resilience.

Mike Farrell,
Protection Sales and Marketing Director



The data used in this report comes from a survey of 4000 nationally representative UK adults conducted for LV= by Opinium in between 16th August and 1st September 2022.

Of all UK workers...

45%

would rely on their savings if unable to work due to illness or injury.

over 1 in 4

don't currently have Income Protection but would like to have it.

54%

would feel more financially resilient if they had insurance that pays a lump sum of money if they suffered a serious illness.

Section 1

What does financial resilience mean to people?

What does financial resilience mean to people?

Whilst we consider financial resilience to be the ability to cope with a sudden unexpected change to finances, we were keen to explore what the term financial resilience means to UK consumers so we asked them to describe it in their own words.

“

To have enough savings or investments to cover the cost of a financial emergency, which meant I couldn't work and earn enough to cover outgoings, such as household bills, food, rent or other expenses.

I believe I have enough savings to help me through any crisis.

Having some money in a savings account would help me feel more confident and resilient.

Being financially resilient is a state of financial stability where a person can afford to pay for unanticipated things.

To truly be financially resilient, you have to have your financial life on solid ground and be prepared for the unexpected.

For me, financial resilience would mean having enough in savings to cope with unplanned life events, such as major illness or injury.

”

What does financial resilience mean to people?

Consumers tend to focus on savings to help them feel financially resilient

They told us that financial resilience means having money to fall back on; an amount that would allow people to financially handle an emergency or unexpected change in circumstances. People are looking for a level of comfort that they can meet those unexpected events or financial impacts which both savings and protection products can provide.

Consumers also told us, that for them, other areas of financial resilience is about:

- Having enough money to cover outgoings
- Having a good level of or higher income
- Having a good pension
- Not holding debt
- Having a stable job
- Having no mortgage to pay
- Being able to support family

How would your clients define financial resilience?

Advisers are uniquely placed to help consumers understand how protection, particularly Income Protection and Critical Illness Cover, can provide the same or greater security than savings in the event of illness or injury. Protection can cover outgoings, pay their mortgage and support their family if they are unexpectedly ill or injured.

Consider asking your clients what financial resilience means to them, and show how protection can address that need.



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Section 2

Are workers
financially resilient?

Are workers financially resilient?

In the past two years, 13% of workers told us they'd had 2 months or more off work due to either illness, injury or a mental health event. With this being such a common occurrence, we explored how workers think they would pay their bills if they were unable to work.

Savings are seen as a primary source of security

- **43%** of employed people said that if they were off work for 2 months+ with illness or injury they'd use their savings to cover outgoings.
- For self-employed this was higher at **60%** as they don't have occupational sick pay to fall back on.

However, the problem with relying on savings is that most people don't appreciate how quickly they can run out.

- **39%** of workers hold less than £5,000 savings, which for many households would pay the bills for a few months.
- Whereas the average LV= Income Protection claim in 2021 lasted for **5 years 7 months**.

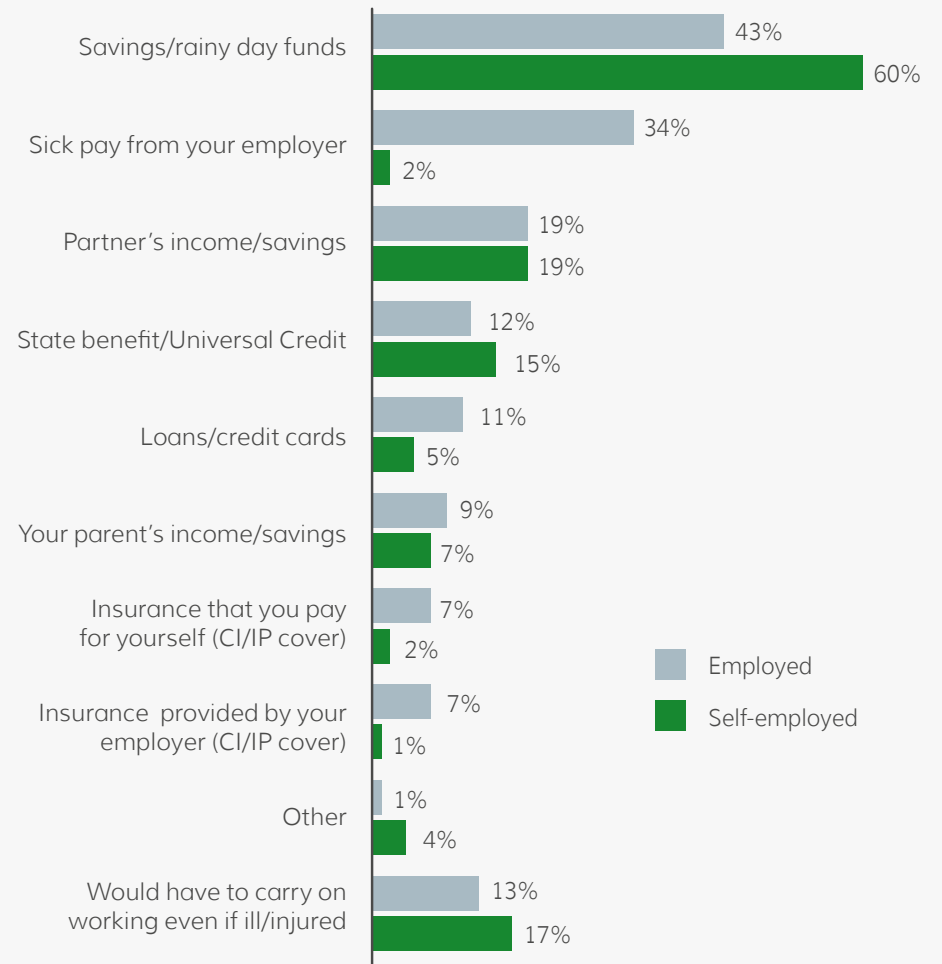
A few months off work could wipe out a household's savings and it could take years to rebuild them.

- **47%** of workers contribute less than £125 to their savings each month.
- Only **7%** of employed and **2%** of self-employed would rely on a protection product they purchased themselves.
- Only **16%** of employed and **6%** of self-employed people have Income Protection that they pay for personally.

How many of your clients already want protection?

There is an opportunity to help protect the half (47%) of working adults who don't have any protection cover. **26% of workers don't have Income Protection but would like to and 26% would like Critical Illness cover.** That's a considerable proportion of consumers that are already receptive to the benefits of protection, and may just need the support of an adviser to get this cover in place.

Sources they'd rely on to cover outgoings if they couldn't work



Are workers financially resilient?

Occupational sick-pay only pays full salary for a limited time

- 38% stated their employer would provide them with occupational sick-pay.
- For those surveyed they'd be eligible for an average of **12 weeks** full pay, but many illnesses and injuries could take much longer to recover from.
- **Almost a quarter** were unaware of what sick pay their employer provided or how long it covered them.

What happens when savings run out?

When savings or sick pay run out, it could impact their ability to pay household bills, and their mortgage or rent. To meet those financial needs, our respondents mentioned having to rely on their partner's income, or having to ask friends or family for help. This could put a lot of strain on their personal relationships. Some also mentioned relying on credit cards or taking out loans, which would put a long term dent in their finances that could take years to recover from.

For half of working adults who don't hold Income Protection, they said they'd need to dip into savings if off work for 2 months.

- **1 in 4** would expect to struggle with household bills.
- **19%** would find it difficult to make mortgage or rent payments.
- **1 in 10** would require their partner to work extra hours.

24%

of employees don't know what occupational sick pay they're entitled to.

12 weeks

is the average cover for Employees with occupational sick pay.

1 in 5

Employed and self-employed would rely on their partners' income or savings if unable to work.

4 in 10

of those who are comfortable financially worry about the financial impact of not working on themselves and their family.

What do your clients understand about sick pay?

Challenge consumers assumptions about how long they might be covered by occupational sick pay and how long savings would last if they didn't have their regular income. Drawing out how long Income Protection claims last on average can really demonstrate these fall backs aren't a long term solution.

There is also an opportunity for advisers to show the role of protection in alleviating some of these worries about the financial impact of a loss of income.

Are workers financially resilient?

13% of employed workers would carry on working through illness or injury

- Worryingly, this was even higher at **17%** for self-employed workers.
- Renters were more likely to carry on working than homeowners (**18%** vs **11%**)
- Workers without protection were also more likely to continue to work when unwell (**17%** vs **10%** who hold protection)

Continuing to work when unwell could make their condition worse, and limit their recovery.

Health problems and injuries don't just affect your finances, but also your mental health

In addition to the financial impact of being off work, we also explored the other effects of experiencing a major health problem or serious injury on both themselves and their loved ones.

- **83%** of workers think it would affect their mental health by causing stress or anxiety.
- **77%** of workers think it would affect their family's happiness.

Mental health may also be the reason for time off work

- **6%** of workers have experienced a mental health event in the last two years that led 2 months or more off work.
- Young adults were most likely to have time off work for mental health.
- **9%** of workers aged 18-24 have had a mental health event that led 2 months or more off work.

Having to take time off for mental health, and then this causing money worries could exacerbate any mental health problems.

over **8 in 10**

of workers say that a major health problem or serious injury would cause stress or anxiety.

17%

of self-employed would have to carry on working through illness or injury.

Protection goes beyond a claim

LV= Doctor Services comes with all LV= protection policies, and includes access to emotional and practical services. This includes 24/7 virtual GP appointments, second opinion, mental health support and physiotherapy.

LV= Income Protection policies include Rehab Support Services to aid health and wellbeing from as early as the waiting period. This earlier intervention can support your client's recovery for any physical or mental health condition with a range of treatment options offered.

In 2021 25% of our rehab support referrals were for mental health.

Are workers financially resilient?

Just over 1 in 5 think they might experience time off work due to illness or injury

Despite our findings showing that many UK workers may not have the financial resilience to face a long period off work, they can appreciate the risk of an unexpected event.

When asked what they felt they had the highest chance of experiencing in the next 10 years.

- **22%** of workers said they could imagine being unable to work being off work for 2 months or more due to illness or injury.
- **22%** also thought they might suffer from a serious illness.
- **Almost half** of all workers don't think they'll pass away, be off work for 2 months or more or get a serious illness in the next 10 years. For 25-44 year olds this rises to over 50% of all workers in this age group.

The LV= Risk Reality Calculator shows the risk of these scenarios happening to a 32 year old, non-smoking couple before retiring at 65.

Try using the [Risk Reality Calculator](#)

53%

chances of being unable to work for two months or more.

23%

chances of suffering a serious illness.

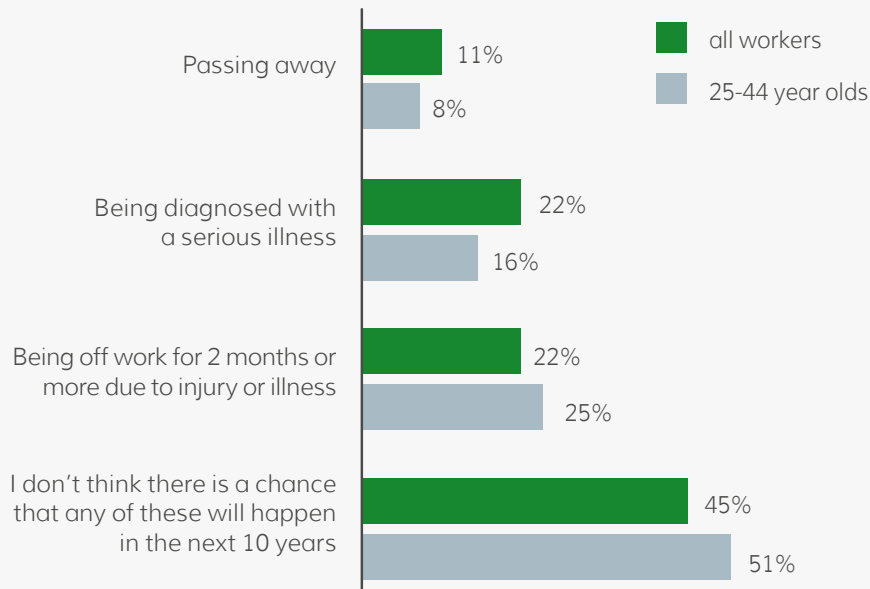
8%

chance of death.

60%

likelihood of any of the above happening.

Which, if any of the following do you think has the highest chance of happening to you during the next 10 years?



Help your clients understand their risks
Working adults expectation of the likelihood they will be off work for two months or more is vastly underestimated. Help your clients to understand their risks with a personalised risk report from the [Risk Reality Calculator](#)



Section 3

Who is protected by financial resilience?

Who is your financial resilience protecting?

Half of all workers told us they have a partner who relies on their income to pay monthly living costs

This may be because they are the only earner, or because they need both incomes to meet all their outgoings. Therefore the loss of one of these incomes, even for a few months, could financially impact both parties.

As well as the immediate impact to finances there's the longer term impact on future financial goals if no protection is in place to replace lost income. We found that **of those aged 25-44, almost a quarter (23%) want to buy a home in the next 5 years and almost 1 in 5 plan to have a baby**. For this age group, almost half said building their savings was a goal for the next 5 years.

- **1 in 4 working adults have no-one else that relies on their income**
- **Single people were less likely to hold Income Protection they pay for themselves than married couples (4% vs 13%)**
- **6% of single people have Critical Illness and 11% have Term that they pay for personally.** This was lower than those who are married.
- **13% of single people said they had a mortgage and 1 in 5 were privately renting,** suggesting they would be vulnerable to financial impact of unexpected time off work with an illness or injury as they have no ability to rely on a partners' income.
- **75% workers say that their income covers at least one other person** in addition to themselves.

Only **4%**

of single people hold income protection that they pay for themselves.

3 in 4

of workers have at least one other person relying on their income.

Over half

of working couples rely on both incomes to cover monthly costs.

Relationship status can impact protection needs

Single people seem to be more vulnerable to a loss of income, and are under-protected.

Couples are more likely to rely on their partners income to meet living costs. Consider this reliance on each other and the long-term sustainability of this when discussing protection needs.

Who is your financial resilience protecting?

The average worker is supporting 3 people (including themselves)

Many workers are financially supporting other people in addition to, or instead of a partner. This is often their children, who may or may not live with them, or their partners children. The complexity around blended families means that many people may be supporting children from current and previous relationships. Is this something that people are considering when looking to protect their income?

- **A third** of working adults are supporting children living at home.
- **8%** are supporting adult children with their income.
- **10%** of working men have children who do not live with them relying on their income.
- Some workers also say that their parents rely on their income, or other family members.

The average working person is supporting

3 people
with their income.

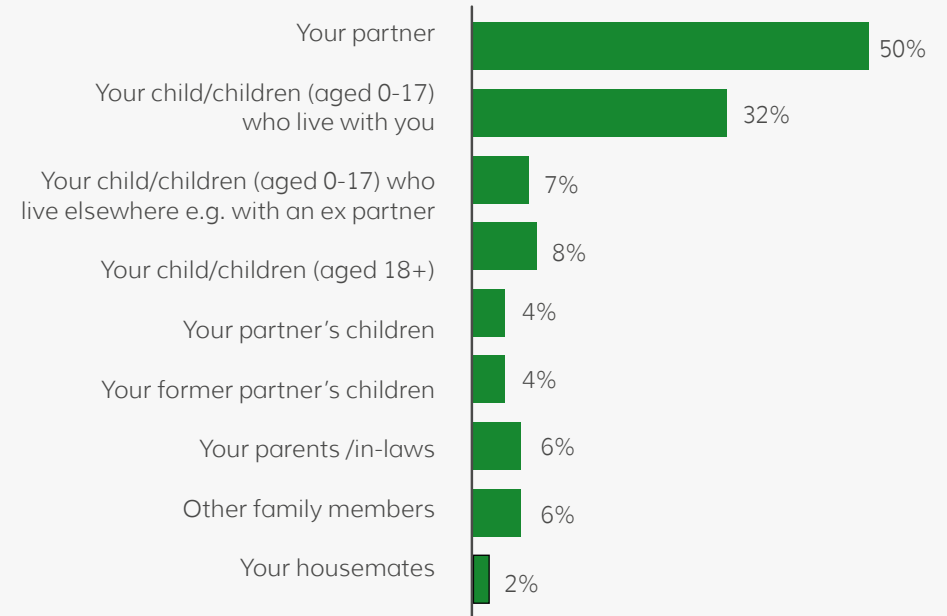
12%

(More than 1 in 10)

of working people support 5+ people financially.

This demonstrates just how many people could be impacted by the loss of one income.

Who relies on your income?



Do others rely on your client's income?

It is important to explore the impact on the other people who rely on someone's income when discussing protection needs. How many people would be financially impacted by one person being unable to work? For those supporting people who don't live with them, are they considering those needs when making their choice?

For those financially supporting children' who don't live at home, consider how policies like Income Protection or Family Income Benefit could support them.

Who is your financial resilience protecting?

Stay at home parents are also crucial to the resilience of their families

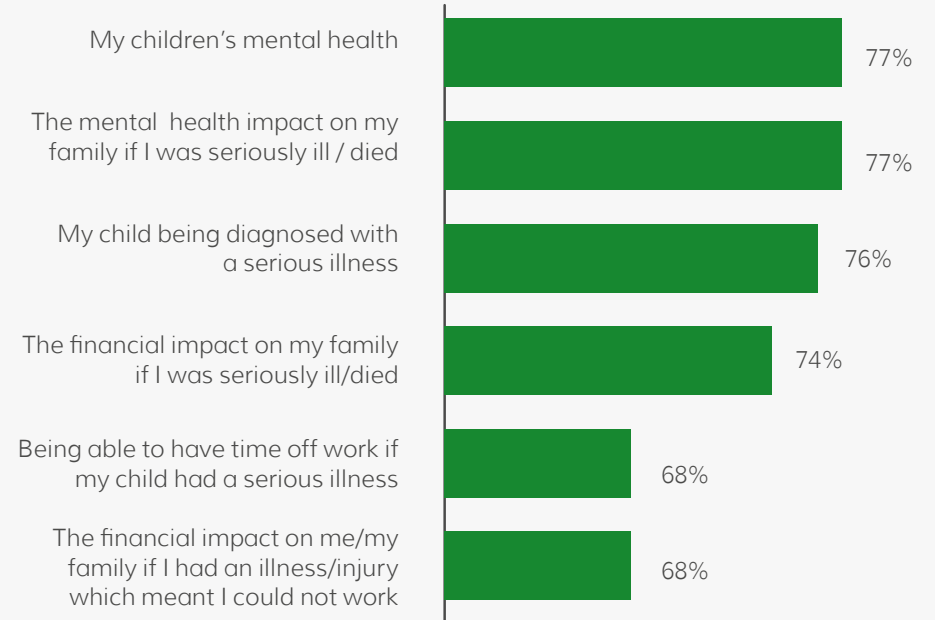
It's not just those bringing in an income that are essential to the family dynamic. If stay at home parents were unable to look after their children due to illness or injury they'd need to find someone else to look after them. This may mean they have to rely on other family members, which would likely only be a short-term solution. **28% say their partner would have to take time off work.** Despite this, many stay at home parents do not consider that their role needs the same safety net as the income earner does.

Almost 8 in 10 parents with children under 12 worry about their child's mental health

And 76% worry about their children under 12 being diagnosed with a serious illness, with many parents choosing this as their top worry.

Protection policies are ideally placed to ease some of these worries. LV= can support families through LV= Doctor Services as well as specific child cover within our Critical Illness Cover and Income Protection.

Worries of parents with a child aged 0-12



Consider the protection needs of stay at home parents too

When discussing family protection needs it's important to consider the role of stay at home parents. As well as the policy features that protect the wider family, additional services can provide important support for family members' mental health in difficult situations.

Section 4

The role of protection in building financial resilience

The role of protection in building financial resilience

Savings can be an unrealistic goal in achieving financial resilience

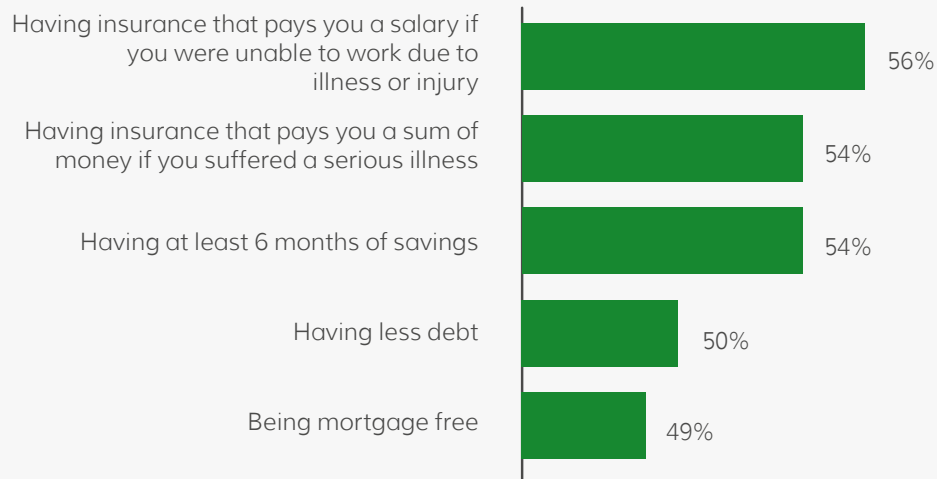
- 54% of employed adults said it would take 6 months of savings to feel financially resilient (vs. 46% self employed)
- 58% of parents with children under 12 also feel the same.
- An average of £9,600 in savings would be needed to cover 6 months of outgoings

If people use their savings to cover a loss in income, how will it impact any future ambitions such as saving for holidays, house deposits or paying off credit card debt?

Protection plays a key role in financial resilience

- 56% of working adults would feel more financially resilient if they had insurance that pays an income if they couldn't work due to illness or injury
- This was at 48% for those that were self employed
- 55% of parents of children under 12 also feel the same way
- 54% of working adults would feel more financial resilient with insurance that pays a lump sum in the event of serious illness

What would make people feel more financially resilient?



“ It’s surprising given the earlier focus on savings, that when asked, working adults can see the role of protection in making them more financially resilient. We can see that Income Protection is top of the list, followed closely by Critical Illness. Sometimes clients need to be given the answer they’re looking for, and that’s where advisers come in.

Mike Farrell,
Protection Sales and Marketing Director



When directly asked, UK working adults can see that having insurance if they were unable to work or suffering a serious illness would help them feel more financially resilient. This coupled with the high percentage of people without cover presents an opportunity for a discussion around protection.

The role of protection in building financial resilience

There is a desire for protection products amongst those who don't have cover

People recognise that protecting their income would help them feel more financially resilient.

- Over **1 in 4** workers don't have Income Protection but would like to have it.
- For **25-44** year old adults 28% would like to.
- Almost a quarter of parents with children under 12 have Income Protection they pay for personally but **22%** don't hold it and would like to have it.

-
- **26%** of workers want Critical Illness
 - **16%** would like to hold Life Insurance (but are more likely to already have this in place)
-

Holding insurance helps people feel more confident that they could cope with the financial impact of having time off work

- **64%** of workers who have protection are confident they can financially handle illness or injury (vs. 46% without protection)
- For **25-44** year olds, 19% with protection feel very confident about being able to financially cope with a loss in income due to illness or injury (vs 6% without protection)
- **Over half** of workers with protection feel they can financially handle a critical illness diagnosis (vs.33% without protection)



A colleague had a brain haemorrhage quite young. He had a young family. It helped them financially and he recovered enough to go back to work.

It paid my mortgage so I didn't lose my home.

They paid off their mortgage and had necessary items fitted in their home.

Our research explored the key benefits of income protection and critical illness cover that people had experienced personally or through people they were close to. The main benefits were peace of mind, paying off debts, managing mortgage and outgoings and support at a time of need.

Eased the stress in time of need, and helped pay the rent and bills.

Pay for changes to my life following the illness.

My best friend received £40,000 on a critical illness policy after suffering a cardiac arrest. it allowed him to recover without worrying about money.

Protection can provide peace of mind

Around of quarter of working adults don't have income protection or critical illness cover but would like to hold the product, providing an opportunity for advisers to share the key benefits of peace of mind, support and ability to manage outgoings at a difficult time.



Section 5

Key takeaways for advisers

Questions to ask your client

Based on our research, we have come up with a list of questions to explore with your clients when discussing protection:

■ **How long are you covered by occupational sick pay?**

Many of those we surveyed that had occupational sick pay didn't know how long they'd be covered for, and those that knew said they'd only receive full pay for an average of 12 weeks.

■ **How long will your savings last if you didn't have your regular income?**

43% of employed workers stated if they were off work for 2 months or more due to illness or injury they would use their savings to pay their outgoings. However, 39% of workers hold less than £5,000 savings, which for many households would only pay the bills for a few months.

■ **How long do you think an injury or illness could lead you to be off work?**

At LV=, our average Income Protection claim in 2021 was 5 years 7 months. This demonstrates that occupational sick pay and/or savings may not be a long term solution.

■ **How likely is it you will be off work?**

Working adults underestimate the likelihood they will be off work for two months or more. Almost half of workers don't think they will pass away, be off work for 2 months or more or get a serious illness in the next 10 years. Help your clients to understand their risks with a [personalised risk report](#).

■ **Who relies on your income?**

We found that 53% of those people who are in a couple and both working say they need both incomes to pay all of their monthly living costs. The average worker is supporting 3 people (including themselves). 10% of working men have children who do not live with them relying on their income. Some workers also say that their parents rely on their income, or other family members.

■ **Do you worry about your children?**

77% of parents with a child aged 0-12 worry about their children's mental health. Our policies have features that protect the wider family, including mental health support.

■ **Are you already interested in Income Protection or Critical Illness cover?**

We found that 26% of workers don't have Income Protection but would like to. 26% of workers don't have Critical Illness cover but would like to.

■ **How might having cover make you feel?**

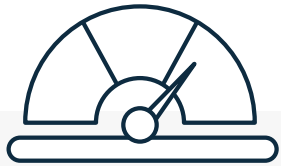
56% of UK working adults told us they would feel more financially resilient if they had insurance that pays them an income if they were unable to work due to illness or injury.



Our commitment to increasing financial resilience

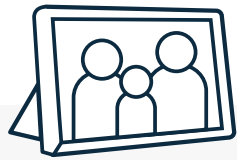
This report highlights that many UK adults are experiencing low financial resilience and potentially relying unrealistically on savings and others to support them should they be unable to work. There is an important role for protection products in enhancing their financial resilience and easing many of the concerns people have about their ability to cope with unexpected financial events.

We at LV= want to help you help your clients increase their financial resilience.



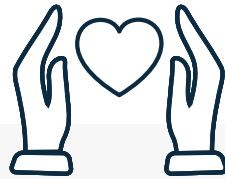
Tools to help your clients understand how financially resilient they are.

Generate a personalised risk report



Materials to help you clients understand how important financial resilience is in protecting those they care about.

View videos to share with your clients



Emotional and practical support from day 1, helping your clients through their everyday.

Find out more about LV= Doctor Services



A menu of solutions that help your clients increase their financial resilience.

Protect your clients in the moments that matter with the LV= Flexible Protection Plan.

Learn more about the LV= menu plan



Contact us

Your team of dedicated account managers are here to support you with protection:



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Find your account manager

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